

Message Text

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ORIGIN EB-08

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UNCLAS STATE 184180

E.O. 11652: N/A

TAGS:ETRD, GATT, US

SUBJECT: STAINLESS STEEL FLATWARE: PRESIDENTIAL DECISION
ON PROPOSED GATT ARTICLE XIX ACTION

REF: STATE 135673

1. MISSION IS REQUESTED TO TRANSMIT FOLLOWING TEXT TO THE
GATT SECRETARIAT FOR CIRCULATION TO THE CONTRACTING PARTIES
AS A SUPPLEMENTARY NOTIFICATION UNDER ARTICLE XIX:2:

(A) IN A COMMUNICATION DATED JUNE 5, 1978 (CIRCULATED AS
L/4676) THE CONTRACTING PARTIES WERE ADVISED THAT THE
UNITED STATES INTERNATIONAL TRADE COMMISSION HAD DETERMINED
THAT STAINLESS STEEL FLATWARE WAS BEING IMPORTED INTO THE
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UNITED STATES IN SUCH INCREASED QUANTITIES AS TO BE A
SUBSTANTIAL CAUSE OF SERIOUS INJURY OR THREAT THEREOF TO
THE DOMESTIC INDUSTRY PRODUCING ARTICLES LIKE OR DIRECTLY
COMPETITIVE WITH THE IMPORTED ARTICLES AND THAT THE
COMMISSION HAD RECOMMENDED TO THE PRESIDENT AN INCREASE IN
THE RATE OF DUTY APPLYING TO CERTAIN STAINLESS STEEL
FLATWARE ITEMS INCLUDED IN THE UNITED STATES SCHEDULE OF

TARIFF CONCESSIONS ANNEXED TO THE GATT.

(B) IN THE REPORT TRANSMITTED WITH HIS MESSAGE OF JUNE 30,

1978, TO THE CONGRESS OF THE UNITED STATES ON THE UNITED STATES STAINLESS STEEL TABLE FLATWARE INDUSTRY, THE PRESIDENT ADVISED THAT HE HAD DETERMINED THAT THE PROVISION OF IMPORT RELIEF WOULD NOT BE IN THE NATIONAL ECONOMIC INTEREST OF THE UNITED STATES FOR THE FOLLOWING REASONS:

1. THE IMPOSITION OF IMPORT RELIEF WOULD NOT BE AN EFFECTIVE MEANS TO PROMOTE ADJUSTMENT IN THE INDUSTRY. THE DOMINANT FIRM IN THE DOMESTIC INDUSTRY NOW SUPPLIES OVER HALF OF ALL DOMESTIC PRODUCTION (ALMOST THREE QUARTERS IN VALUE TERMS) AND CURRENTLY UTILIZES TECHNOLOGICALLY ADVANCED MANUFACTURING EQUIPMENT. THIS FIRM, AS WELL AS A NUMBER OF SMALLER FIRMS WHO ARE OPERATING PROFITABLY, SHOULD REMAIN PROFITABLE.

2. ALL THE MAJOR FIRMS IN THE INDUSTRY HAVE BEEN INCREASING THEIR AMOUNTS OF IMPORTS IN ORDER TO SUPPLEMENT THE PARTICULAR PRODUCT LINES IN WHICH THEY SPECIALIZE AND TO IMPROVE THEIR OVERALL PROFITABILITY AND THIS TREND IS EXPECTED TO CONTINUE.

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3. IMPORT RELIEF WOULD DISCRIMINATE AGAINST LOW-INCOME PURCHASERS AND SUBSTANTIALLY INCREASE COSTS TO CONSUMERS. (UNDER THE USITC'S RECOMMENDED REMEDY, COSTS ARE ESTIMATED TO INCREASE BY AT LEAST 33 MILLION DOLLARS IN THE FIRST YEAR.) THESE COSTS MAY INCREASE EVEN FURTHER IF THE MODERATING INFLUENCE THAT LOW-PRICE IMPORTS HAVE ON THE PRICES OF DOMESTICALLY PRODUCED FLATWARE IS ELIMINATED. IN A TIME WHEN WE ARE STRIVING TO CONTROL INFLATION, THESE COSTS ARE TOO HIGH.

4. THIS INDUSTRY HAS HAD IMPORT RELIEF IN 13 OUT OF THE PAST 20 YEARS. PROVIDING IMPORT RELIEF AGAIN WOULD BE INCONSISTENT WITH THE INTERNATIONALLY ACCEPTED CONCEPT THAT IMPORT RELIEF IN ESCAPE CLAUSE CASES SHOULD BE OF A TEMPORARY NATURE.

5. EMPLOYMENT LOSSES SINCE 1975 HAVE BEEN SMALL AND MANY OF THE UNEMPLOYED WORKERS ARE CURRENTLY RECEIVING TRADE ADJUSTMENT ASSISTANCE BENEFITS. THE USITC ESTIMATES GRADUALLY INCREASING DOMESTIC PRODUCTION OF FLATWARE EVEN IN THE ABSENCE OF RELIEF AND THIS SHOULD HAVE A STABILIZING EFFECT ON THE NUMBER OF JOBS IN THE INDUSTRY.

6. EXPEDITED CONSIDERATION OF ADJUSTMENT PETITIONS FROM WORKERS, FIRMS, AND COMMUNITIES IS STILL IN EFFECT AS A

RESULT OF THE PRESIDENTIAL DETERMINATION ON THE 1976 IMPORT CASE.

2. UNDER UNITED STATES TRADE LEGISLATION THE CONGRESS HAS NINETY DAYS FOLLOWING THE RECEIPT OF SUCH A REPORT FROM THE PRESIDENT TO DISAPPROVE HIS DETERMINATION. IF IT WERE TO TAKE SUCH ACTION, THE PRESIDENT WOULD BE REQUIRED TO PROCLAIM, WITHIN THIRTY DAYS, THE INCREASE IN DUTY OR OTHER IMPORT RESTRICTION RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION. VANCE
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